

CHAPTER 3: APPLICATION PROCESSING

3.1 INTRODUCTION

This chapter describes the process of accepting and managing applications, up to the point that an applicant is selected for processing. This includes pre-qualifying applicants, taking and reviewing applications, and selecting applications for processing.

SECTION 1: PRE-QUALIFICATION

3.2 OVERVIEW

Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant would be able to obtain a loan. The results of pre-qualification are not binding. An applicant who is told that funding is unlikely may submit an application, and an applicant who is told that funding is likely is not guaranteed that a loan will be made.

Pre-qualification serves as an opportunity to:

- Explain the program and the application process;
- Determine the likelihood of eligibility based on income and other factors; and
- Calculate the likely maximum loan amount.

The Loan Originator should never refuse to take an application, regardless of the outcome of the pre-qualification screening.

3.3 PROCEDURES FOR PRE-QUALIFICATION

The Loan Originator should provide consistent pre-qualification counseling for all potential applicants. It can be done face-to-face when a potential applicant comes into the Field Office or by telephone when someone calls to inquire about the program. Although pre-qualification is not required, it is strongly encouraged because it can eliminate unnecessary work for both the potential applicant and the Loan Originator.



A. Describe the Program

During the course of the pre-qualification interview, the Loan Originator should provide as much information as possible about the way the Section 502 program works. Although this information will be repeated during the course of the application and loan approval processes, it is important for the potential applicant to begin to understand how the program works and the steps that will be required to obtain a loan.

B. Gathering Basic Eligibility and Financial Information

- Pre-qualification provides an opportunity to consider whether the potential applicant appears to meet the basic eligibility requirements described in detail in Chapter 4. The Loan Originator should enter into UniFi information provided by the potential applicant and counsel the potential applicant about the following requirements and restrictions.
- **Credit qualifications.** While some late payments and other indicators of credit problems may be acceptable, the Loan Originator may be able to advise potential applicants who report an irregular credit history about areas to improve before applying. The Loan Originator may order an in-file credit report at the time of pre-qualification if the applicant has signed *Form RD 3550-1, Authorization to Release Information*, and the report would be advantageous in counseling the applicant.
- **Citizen or qualified alien.** The Loan Originator can ask potential applicants about their citizenship status and, for qualified aliens, inform them of the documentation that will be required when an application is submitted.
- **Requirement to occupy the dwelling.** The Loan Originator can explain that the dwelling must serve as a borrower's residence, and confirm that the potential applicant intends to use the loan for this purpose.
- **Financial information.** The potential applicant should provide information about household members, income, expenses, and debt to enable the Loan Originator to make a preliminary determination of income eligibility and repayment ability.

C. Using UniFi to Calculate the Maximum Loan Amount

Once pre-qualification data is entered, UniFi computes the maximum loan amount for which the potential applicant would qualify using standard loan terms, and using any adjustments to the standard terms for which the potential applicant appears to qualify. (See Paragraph 7.20 B. for a full discussion of adjustments to the standard terms.)

D. Discussing Pre-Qualification Results

When all pre-qualification information has been obtained, the Loan Originator can generate the Loan Payment Approval Summary from UniFi to assist in the discussion with the potential applicant. The Loan Originator should always emphasize that the results of the pre-qualification review are unofficial and that the outcome may change when estimated information is verified. For potential applicants in the following 3 categories, additional counseling is appropriate.



Pre-Qualification Review

Regardless of the outcome of the pre-qualification review, all potential applicants must be offered an opportunity to complete an application.

1. *Over-income Applicants*

Applicants with incomes above the low-income limit are not eligible for a Section 502 loan unless funding is available for moderate-income applicants. (Field offices should check with their State Office if they are unsure whether moderate-income funds are available.) Regardless of the availability of funding, a moderate-income applicant may be considered for an assumed loan, purchase of a REO property, or encouraged to seek credit from a private lender or the Guaranteed Rural Housing (GRH) program by sending *Handbook Letter 1(3550), Moderate Income Options*. The letter offers the applicant 15 days from the date of the letter to request an informal meeting to discuss the decision with the Loan Approval Official.

2. *Applicants with Low Estimated Maximum Loan Amounts*

If the loan amount for which the household appears to qualify is below an amount that is likely to be required to obtain housing that is acceptable to the Agency, the Loan Originator should counsel the potential applicant about the need for additional resources, such as other sources of subsidized funds, increased household income, or reduced household debt. See Paragraph 7.16 for a detailed discussion of working with applicants with low maximum loan amounts.

3. *Candidates for Financing with Private Credit*

If the credit history, income, and assets of potential applicants indicate that they should be able to qualify for 100 percent private financing, the Loan Originator should ask whether an attempt to obtain private financing has been made. If not, potential applicants should be informed that, as part of the application process, they will be required to attempt to obtain private financing for all or a part of the loan amount.

Unless a low-income applicant's credit history is such that a private lender is unlikely to provide even a leveraged loan, the Loan Originator will use UniFi to calculate the maximum allowable loan the applicant could receive. To calculate the maximum allowable loan, 80 percent of the loan funds must be provided by the Agency at standard rates and terms and 20 percent of the loan funds must be provided by a private lender at market rates and terms. If the resulting maximum loan appears sufficient to enable an applicant to purchase an appropriate home in the market area, the Loan Originator must notify the applicant that when they are selected for processing, they will be required to contact private lenders to attempt to obtain leveraged financing. Chapter 10 provides detailed information about leveraged loans.

SECTION 2: APPLICATIONS [7 CFR 3550.55]

3.4 DISTRIBUTING APPLICATIONS

A. Individual Applicants

An individual applicant can request that the Agency mail an application or can obtain one in person at any Field Office. Whenever someone requests an application, the Loan Originator should determine whether the potential applicant has gone through the pre-qualification process, and if not, attempt to pre-qualify them, as described in Section 1 of this chapter.

Whenever possible, the Loan Originator should explain the basic application process and the contents of the application package to the applicant. The application package should include:

- An information sheet explaining the application process, time frames, credit check procedure, fees, and other applicant responsibilities similar to Attachment 3-D;
- *Form RD 410-4, Application for Rural Housing Assistance (Nonfarm Tract), Uniform Residential Loan Application* (referred to throughout this document as *Uniform Residential Loan Application*);
- *Form RD 3550-1, Authorization to Release Information* (copies for each adult household member);
- Any other documents the Field Office uses to help gather and verify information.

B. Application Packagers

Those wishing to package applications to submit on behalf of an applicant should follow the instructions in Attachment 3-A. All packagers are required to comply with the civil rights requirements contained in of RD Instruction 1901-E, including the Equal Credit Opportunity Act and, if the packager assembles packages for 5 or more applicants, requirements for an Affirmative Fair Housing Marketing Plan. At least 5 percent of all applications submitted by a packager will be reviewed by the next level supervisor. The applications reviewed will be randomly selected in accordance with RD Instruction 2006-M. Any incidence of unethical activity by a packager must be reported promptly to the State Director.



3.5 REVIEW FOR COMPLETENESS

Since priority for processing is based in part on the date a completed application is received, applications must be date stamped, signed, and dated when they are received, and reviewed for completeness within 3 days. The date the application is ***received*** should be recorded immediately on the last page of the application. However, the date the application is ***complete*** should not be recorded until the review for completeness has taken place. If the application was complete when it was received, the date the application was complete should be recorded as the date the final information was received from the applicant, regardless of when the review actually takes place.

A. Required Documents

An application is considered complete only if:

- *Form RD 410-4, Uniform Residential Loan Application* is signed and dated on pages 5 and 7;
- All applicable information on *Form RD 410-4* has been provided; and
- A signed *Form RD 3550-1, Authorization to Release Information* is submitted ***for each*** adult member of the household.

B. Incomplete Applications

Ideally, the Loan Originator will be available at the time the applicant brings the application to the Field Office, and can review it with the applicant to identify and correct any missing information. If the review cannot happen in person, the Loan Originator should contact the applicant by telephone immediately after reviewing the application to obtain any missing information or to make specific arrangements for the applicant to provide it through a return call, fax, or mail.



Consistency Is Key

Be sure to use consistent procedures to obtain missing information from all applicants.


The Loan Originator can update the application (with the exception of the applicant's signature) to reflect any information provided by the applicant. If arrangements are made for the applicant to provide information at a later time, the Loan Originator should send a follow up letter as a reminder of the information needed. The letter should clearly state that the application is inactive until complete and that the application will be withdrawn if the missing information is not received within 30 days. A copy of this letter should be placed with the application in the inactive file.

Paragraph 3.5 Review for Completeness

If the missing information is not provided within 30 days, the application must be withdrawn. If the applicant wishes to provide the missing information at a later time, a new application must be submitted.

C. Complete Applications

Once the application is complete, the Loan Originator should take the following steps to ensure that the relevant information is properly recorded.

- **Date the application.** Once the application is complete, the Loan Originator should date and sign it on the appropriate line. The date an application is considered complete is the day all necessary information is received, regardless of when the application is actually reviewed by the Loan Originator. It is important that this date be correct because it is used to track priority for processing.
- **Enter data.** Information from the application should be entered into UniFi as soon as a complete application is received. If an applicant went through pre-qualification, much of the information from the application will already be in the system. If the information provided on the application is different from the information provided at pre-qualification, the appropriate UniFi fields should be updated.
- **Establish case file.** The applicant's case file should be established according to RD Instruction 2033-A. For subsequent loans, the new documentation should be added to the existing case file. 
- **Send Truth in Lending Documents.** Within 3 business days, the Loan Originator must send the applicant *Form RD 1940-41, Truth in Lending Statement, Form RD 440-58, Estimate of Settlement Costs*, and the *Buying Your Home - Settlement Costs and Helpful Information* and *Handbook Letter 13(3550), Notice of Right to Request Copy of Appraisal*. Since an actual loan amount, interest rate, and term are not known at this point in the process, *Form RD 1940-41* should be an estimate based on a typical transaction for the area.

The application is a working document. Whenever revised or verified information is received, the appropriate UniFi field should be updated. At loan closing, a revised copy of the application will be generated to reflect the updated information gathered during the course of the loan approval process.

3.6 OBTAINING ADDITIONAL INFORMATION

Form RD 410-4, Uniform Residential Loan Application is a tool for gathering the basic information needed for loan-making purposes. However, some follow up may be necessary to ensure that the Loan Originator has enough detail to assess loan-making factors, such as processing priority and deductions for calculating adjusted income. Attachment 3-B provides guidance about the types of follow up questions the Loan Originator may need to ask in order to have a complete picture of the household's circumstances.

3.7 WITHDRAWING AND REJECTING APPLICATIONS

An applicant can withdraw an application at any time by writing or calling the Field Office. The Agency may withdraw the application if the applicant fails to respond to the Agency's written request for information in a timely fashion. All letters to applicants requesting information must clearly indicate that the application will be withdrawn if the appropriate information is not provided within the specified time frame.



When an applicant is rejected, they must be informed, in writing, of the adverse decision and their review and appeal rights. The basis for the rejection must be clearly documented. Applicants who are over-income and must seek credit from other sources should be provided with information about the GRH program and other area lenders.

Once an application has been withdrawn or rejected, an applicant who wishes to reapply must complete a new application form, and priority for processing will be based on the new application date. The Loan Originator should record in UniFi that the application has been withdrawn or rejected. The case file should be placed in the inactive file.

3.8 PRELIMINARY DETERMINATION OF ELIGIBILITY

Once all of the applicant's information has been received, the Loan Originator must review it within 30 days to determine whether, based on the unverified information available, the applicant appears to be eligible for the program.

To make this assessment, the Loan Originator should determine whether the applicant has income at or below the applicable low-income limit and whether the applicant appears to meet the other eligibility requirements listed in Chapter 4. If the answer to either of the questions is no, the Loan Originator should ask follow up questions to ensure that the preliminary determination is accurate and, if it is, inform the applicant that they are not eligible for the program. If the answer to both questions is yes, the Loan Originator should process the application, as described in Section 3 of this chapter. If the applicant's credit history appears to be unacceptable, the Loan Originator should counsel the applicant, but should not withdraw the application unless requested to do so by the applicant.

SECTION 3: SELECTION FOR PROCESSING

3.9 OVERVIEW

In general, applications are selected for processing on a first-come, first-served basis. If available funding is not sufficient for all applications received, the Loan Originator selects applications for processing using the priorities described in Paragraph 3.12. This section discusses the appropriate actions to take to notify applicants of their status and select applications for processing in the proper order.

3.10 DETERMINING WHETHER FUNDS ARE AVAILABLE

The Loan Originator must determine whether funds are available before proceeding with further processing. State Directors will issue State Supplements to provide guidance about how many applications should be processed based on available funding levels.



A. Regular Funding

Nationwide, at least 40 percent of Section 502 loan funds must be allocated to very low-income households. Since each State meets this goal in different ways, Loan Originators also may have to consider the guidance provided through State Supplements in determining whether funds are available for a low-income applicant.

In rare situations, the funds available may be less than the amount for which the applicant is eligible. If this occurs, it is important to follow consistent procedures. An example of a possible procedure is provided in Exhibit 3-1.

**Exhibit 3-1**

**Procedures if Funds are Inadequate
for the Next Applicant on the Waiting List**

Applicant A is next on the waiting list and qualifies for a \$75,000 loan. Applicant B is eligible for a \$40,000 loan. The funds available are \$45,000.

- Call State Office to ask for more funds.
- Document the results of this conversation.
- If no more money is available, offer Applicant A \$45,000.
- If Applicant A accepts, proceed.
- If Applicant A does not accept, go to Applicant B and keep Applicant A at the top of the waiting list for the next available funds.

B. Special Funding

Each year the National Office may designate funds to address special high-priority needs identified by the Agency. If an applicant falls into one of those high-priority needs areas and funds are available, the application can be processed immediately. For example, in a year in which funds have been set aside to target a particular geographic area, an application from a household willing to seek a property in that area could be processed ahead of other applications.

Information about funds available for high-priority needs are distributed to Field Offices through State Supplements, based on guidance from the National Office through RD Instruction 1940-L.

**3.11 IF FUNDING IS NOT AVAILABLE**

If the applicant does not qualify for funds that are available, the Loan Originator should notify the applicant using *Handbook Letter 2(3550), Pre-eligible* that they appear to be eligible, but that funding is not currently available. The letter should indicate the expected waiting time before funding will become available to the applicant, given the applicant's priority status. The

Loan Originator also must indicate in the letter any purposes for which funding *is* available. Should the applicant modify the application to match one of these purposes -- for example, agreeing to seek a property in a targeted geographic area when funds are set aside for that purpose -- the application may be processed immediately.



3.12 SELECTING APPLICATIONS FOR PROCESSING

If funding is available, applicants must be selected for processing in the proper order, and notified of the actions they must take.

A. Selection Procedures

If a Field Office has a backlog of unprocessed applications, when funding becomes available, a list of unprocessed applications should be generated from UniFi. The Loan Originator must select applications for processing based on each applicant's priority and the date a completed application was submitted. The number of applications selected will be determined based on guidance from the State Director.



Documenting Proper Selection Procedures

Always retain a hard copy of the waiting list when applicants are selected for processing.

Whenever applicants are selected for processing, a hard copy of the waiting list should be printed and placed in an operational file to document that the applications were processed in the correct order. This is important because the electronic files will be overwritten, leaving no documentation to verify that proper procedures were followed.

B. Processing Priorities

When funding is not sufficient to fund all applications, a priority system is used to ensure that applicants who meet the priorities established for the program are selected for processing first. The priority system is used only to determine the order in which applications will be processed. Once applicants are selected for processing, the order in which they actually receive funding will depend on how long it takes to conduct all required verifications and how long it takes the household to locate a property. Attachment 3-C provides a case study that illustrates the use of priorities in selecting applicants for processing.

The Agency gives processing priority to applicants who have an especially serious need for immediate assistance and for loans that are to the Agency's benefit. Applicants with higher priorities must be processed before those with lower priorities. Applicants who do not qualify for any priority should be processed only when no applications with a priority remain unprocessed. Within each priority category, applications should be processed in the order they were received. The types of priorities are described below.

1. *First Priority: Subsequent Loans to Correct Health and Safety Hazards*

Current Agency borrowers who request subsequent loans to correct health and safety hazards will be selected for processing first.

2. *Second Priority: Loans in the Agency's Interest*

Applicants interested in obtaining loans for purposes that are in the Agency's interest, but that do not directly involve removing hazards in a security property, will receive second priority for processing. This would include loans related to the sale of Real Estate Owned (REO) property and loans related to the transfer and assumption of property owned by a program borrower.

3. *Third Priority: Hardships*

Applicants facing housing-related hardships will receive third priority for processing. Hardship circumstances include living in deficient housing for more than 6 months. Deficient housing is defined as a dwelling that lacks complete plumbing, lacks adequate heating, is dilapidated or structurally unsound, has an overcrowding situation that will be corrected with loan funds, or is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others. Other hardship circumstances include current homeowners in danger of losing a property through foreclosure due to circumstances beyond their control, and other circumstances determined appropriate by the State Director on a case-by-case basis.

**4. *Fourth Priority: Loans that Bring in Additional Resources***

In order to use the Agency's limited resources most effectively, applicants who will obtain part of their funding elsewhere through a leveraging agreement, or who will contribute sweat equity through an Agency-approved Mutual Self-Help project, will receive fourth priority.

C. *Veteran's Preference*

If applicants with equivalent priority status apply for assistance on the same day, applicants qualifying for a veteran's preference will receive priority processing. Applicants are eligible for a veteran's preference if they were discharged or released (except for a dishonorable discharge) from the active forces of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard **and** served in active duty during one of the periods listed in Exhibit 3-2, or are the family of a service person who died in service during any of those periods.

Exhibit 3-2**Service Dates for Veteran's Preference**

- April 6, 1917 through March 31, 1921
- December 7, 1941 through December 31, 1946
- June 27, 1950 through January 31, 1955
- A period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975
- During the period beginning August 2, 1990, and ending the date prescribed by Presidential Proclamation or law.

D. Notifying Applicants Who Are Selected for Processing

When funds are available, applicants who are selected for processing must be notified by sending Handbook Letter 11(3550), *Selected for Processing/Request Information* that the Loan Originator has made a preliminary determination of eligibility, but that all information must be verified. The letter will indicate that the applicant has 30 days to submit the credit report fee required by RD Instruction 1910-B, and to provide any information requested by the Loan Originator in the letter. The Loan Originator should determine what additional verification information may be needed from the applicant by reviewing *Form RD 410-4, Uniform Residential Loan Application* and follow up responses obtained from the applicant.



Common information to be requested at this point includes documentation of income from sources such as social security or child support payments, and verification of expenses such as medical costs or child care payments. Whenever possible, the Loan Originator should provide the applicant with a certification form to use in verifying information. Paragraph 4.3 B. describes the required verifications in detail. If an applicant fails to provide the credit report fee or needed information within 30 days, the application will be withdrawn.

Applicants who provide the required information and credit report fee, but cannot be funded that quarter, should be notified that they will be selected again when the next quarterly allotment becomes available. When funds become available in the subsequent quarter, the Loan Originator should contact the applicant to determine whether the household has experienced any changes in circumstances that might require new verifications before processing.

3.13 PURGING THE WAITING LIST

The waiting list should be purged periodically to ensure that the Agency's records are not burdened with applications from households that are no longer interested in the program. Once every 6 months, the Loan Originator must determine how soon funding will be available to process applications, and generate *Handbook Letter 3(3550), Waiting Period* for each unprocessed application on file. This letter notifies applicants that in order to keep their application active, they must return the response form attached to the letter. If an applicant does not respond within 30 days of the date of the letter, the application should be withdrawn.

3.14 VERIFICATIONS

Once the applicant has been notified of this selection, the Loan Originator should begin processing the verification forms that must be initiated by the Agency. When verification forms are sent to a respondent to verify an applicant's information, they should be accompanied by *Form RD 3550-1, Authorization to Release Information*, and a preaddressed, prestamped envelope. If the respondent does not return the verification form within 14 days, the Loan Originator must place a reminder telephone call. If a respondent returns an incomplete verification form or if additional information is needed, the Loan Originator should contact the respondent.

An applicant should not be penalized if a respondent refuses to provide the requested information. Instead, the Loan Originator should use alternative methods of verifying the information. All conversations and follow up actions for obtaining verifications should be documented carefully. Detailed procedures for assessing the results of these verifications are provided in Paragraph 4.3 B.



A. Types of Verifications

1. *Written Third-Party Verifications*

Whenever possible, applicant information should be confirmed by written third-party verifications. Correspondence should take place directly between the third party and the Agency, using Agency forms if possible. Faxed verifications are acceptable.

2. *Oral Third-Party Verifications*

Oral verifications may be used if written verifications are not feasible, but should be carefully documented. Situations where oral verification is acceptable include when:



Paragraph 3.14 Verifications

- The respondent refuses to complete the written verification;
- The respondent will not complete the written verification without a fee, but will provide the information over the phone;
- Written documentation has been obtained but is over 90 days old and the oral verification serves as a reverification; or
- A preliminary verification of a change in the applicant's status (for example, change of employment or new family members) is needed for timely loan processing, and a written copy is to follow.

3. Other Written Verification

Other written verifications can be appropriate in circumstances where a third-party verification is not feasible. For example, if an applicant is self-employed or has an employer who will not complete the verification form, some alternative mechanism for documenting income is needed. This might include examining paycheck stubs, certified copies of tax returns, or bank statements.

B. Evaluating Verified Information

All verifications should be checked for completeness and for discrepancies from information provided by the applicant. Any discrepancies should be discussed with the applicant and clarifications should be documented carefully. Verification sources may be contacted directly, if necessary, to clarify information.



ATTACHMENT 3-A

PACKAGING APPLICATIONS

Packagers can facilitate the application process by helping applicants submit complete applications to the Agency. Packagers save the Agency time by prescreening applicants, making preliminary determinations of eligibility, ensuring that the application is complete, and helping the applicant understand the program.

Application packagers are required to comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E, including the requirement regarding Affirmative Fair Housing Marketing plans.

A summary of the steps a packager should follow is provided below.

Step 1: Check with the Agency to see if funds are available.

The Loan Originator can inform packagers about the availability of funds and application backlogs. When funds are available, the packager can submit completed applications for applicants with specific properties in mind for immediate review. When no funds are available, the packager should act to put their prescreened applications on the waiting list so that the applicants can be served expediently when funds become available.

Step 2: Meet with the applicant and make a preliminary determination of eligibility.

The packager should determine whether the applicant meets the Agency's requirements for assets, credit history, repayment ability, and other requirements. If not, the packager should work with the applicant to improve deficient areas before submitting an application.

If the applicant appears to have sufficient income to obtain 100 percent private financing or leveraged financing, the packager must instruct the applicant to seek at least partial financing elsewhere. Any letters of rejection from alternate sources of financing should be included with the application.

Step 3: For applicants who appear to qualify for the program, collect appropriate information.

The packager should have the applicant complete and sign all of the forms listed on *Form RD 1944-12, Rural Housing Loan Application Package*. The packager should review all information to reconfirm the applicant's eligibility.

Step 4: Submit the completed application package to the Agency.

When all appropriate information has been collected, the packager should package it in the order listed on *Form RD 1944-12* and submit it to the Agency.

The fee is paid by the party who arranged for the packager's assistance (e.g., the builder, real estate broker, or applicant) and can be financed, as long as the loan amount remains within the required limits and is within the applicant's repayment ability.

Step 5: Packaging Fee

Public agencies and private nonprofit organizations that are tax exempt under the Internal Revenue Code of 1986 are permitted to receive fees for packaging loan applications. The fee must be reasonable considering the services provided and the cost of similar services in the same or a similar rural area. The fee cannot exceed the maximum fee established by the Agency in Exhibit B of RD Instruction 1944-B.

Fees are not permitted if the applicant selects a Real Estate Owned (REO) property, or for Mutual Self-Help Housing grantees, or recipients of Housing Application Packaging Grants.

ATTACHMENT 3-B

FOLLOW UP QUESTIONS FOR FORM RD 410-4, UNIFORM RESIDENTIAL LOAN APPLICATION

Form RD 410-4, Uniform Residential Loan Application is designed to obtain a broad range of applicant information. To accurately process an Agency loan, however, the Loan Originator must review the application carefully and ask follow-up questions to ensure that all relevant information has been obtained. This attachment provides a list of questions that may be useful for each section of the application. Not all questions will be needed for all applicants, and additional information may be needed in some cases.

I. Type of Mortgage and Terms of Loan

- None.

II. Property Information and Purpose of Loan

- Determine whether the applicant intends to purchase a Real Estate Owned (REO) property or assume a loan from a program borrower.
- Determine whether the applicant is interested in a leveraged loan.
- If the applicant wishes to refinance, obtain detail about the reasons. The Agency will refinance loans only in limited circumstances.
- If the applicant will not reside in the property, confirm that the applicant wishes to obtain a nonprogram loan.
- If the applicant is requesting a subsequent loan to improve the property, determine whether the repairs are necessary to maintain the security, or to meet the family's housing needs.

III. Borrower Information

- Name, age, and relationship of all household members.
- Confirm number and ages of dependents.
- Any foster children or foster adults?

- Any full-time students?
- Any household members with disabilities?
- Any elderly household members?
- If the household qualifies as an elderly household, does the household have extensive medical expenses?

IV. Employment Information

- If there is an adult household member who has recently changed jobs, determine the reason for the job change.
- If there is an adult household member for whom no employer information has been provided, determine whether the person is employed.
- If any adult household member is unemployed, determine for how long.

V. Monthly Income and Combined Housing Expense Information

- Verify that income listed is comprised of all sources of income, including income from applicants, spouses of applicants (even if the spouse is a minor), and any other adult household members.

VI. Assets and Liabilities

- If the household reports owning real estate, discuss the type of property owned to verify that the reported market value is reasonable.

VII. Details of Transaction

- If completed by applicant, review information to confirm accuracy.

VIII. Declarations

- If the applicant reports any judgments, bankruptcies, lawsuits, foreclosures or deeds in lieu of foreclosure, or delinquencies on a Federal debt or any other obligations, determine the particular circumstances.
-

- If the applicant reports any alimony, child support, or separate maintenance obligations, verify that it is included as a liability in Section VI of *Form RD 410-4*.
- If the applicant has applied for a nonprogram loan, determine whether any part of a proposed down payment will be borrowed, since other debt will affect repayment ability.
- If the applicant is not a U.S. citizen, verify that he or she is a qualified alien.
- If the applicant does not intend to occupy the property, verify that the applicant intends to obtain a nonprogram loan.
- If the applicant has had ownership interest in a property, determine how that interest was disposed of to ensure that it was not disposed of at below market value.

IX. Acknowledgment and Agreement

- None.

X. Information For Government Monitoring Purposes

- None.

Additional Information Required for Agency Assistance

- If the applicant has received prior assistance, determine whether there were any repayment problems, and in the case of a Section 504 loan or grant, whether the assistance limit has been reached.
- If the applicant is a veteran, or family of a deceased service person, determine the dates of service, the type of discharge received, and the date of death, if deceased.
- If the applicant lists a household member as disabled, determine whether the household may be entitled to a deduction for the costs of dependent care to allow a household member to further their education or to work, and whether any reasonable accommodations may be required.

- If the applicant lists child care costs, determine whether child care is needed to allow a household member to further their education or to work (if it is to allow the applicant to work, determine whether the salary the applicant receives is equal to or greater than the cost of child care and the age of the child for which care is being provided).
 - If the applicant indicates that the present dwelling has physical problems or is overcrowded, obtain details about the nature and duration of the problem.
 - If the applicant did not include alimony, child support, or separate maintenance information in Section V of *Form RD 410-4*, make sure the information is provided.
-

ATTACHMENT 3-C

CASE STUDY - PROCESSING PRIORITIES

The Field Office currently has funds available only for borrowers in Big Gap County which has been designated as a high-priority needs area for which the Agency has a special set-aside. The Loan Originator must review the following applications to process any that can take advantage of the set-aside funds and to select applications for processing in anticipation of additional funding not designated for set-asides that will be available soon. Part I provides information on the applicants, their current situations, and the dates of the applications. Part II illustrates the analysis and ranks the applications in the order of selection.

Part I. Applicants

Date of Application	Applicant	Description
9/5	De Moura	Ms. De Moura has owned her home, which was financed by a local lender for 3 years. Last year, she was laid off from her job but has found a new position that pays only half the salary. As a result, she is behind in her loan payments and the lender has accelerated her loan. Ms. De Moura would like to refinance with Agency funds.
9/6	Sapienza	The Sapienzas used a Section 502 loan to purchase an existing home. They are requesting a subsequent 502 loan to install a retaining wall because of erosion in the backyard.
9/7	Yao	The Yaos wish to purchase a newly-built house. They would like to obtain a Section 502 loan and are seeking a leveraged loan.
9/8	Jones	The Joneses moved into the area 4 months ago and would like to purchase an existing house using Section 502 funds because the rental unit the family occupies is too small for the family and has an inadequate heating system.
9/9	Garcia	The Garcias would like to purchase a home from Greenes who have been paying regularly on their Section 502 loan but are now transferring out of State.
9/9	Olsen	The Olsens wish to purchase a Real Estate Owned (REO) property using Section 502 funds. In addition, Mr. Olsen served in active military duty between June 27, 1950 and January 31, 1955.

Date of Application	Applicant	Description
9/14	Brown	The Browns used a Section 502 loan to purchase an existing home. Their septic system no longer works properly and needs significant repairs and they are requesting a subsequent 502 loan to repair it. They are 2 payments behind on their initial loan.
9/15	Johnson	The Johnsons would like to purchase a home from a current Agency borrower but have income well above the low-income limit.
9/16	Smith	The Smiths would like to build a home on a site in Big Gap County.
9/21	Pawlikowski	The Pawlikowskis have been without adequate plumbing for 8 months. They would like to purchase a newly built house using Section 502 funds.
9/21	Deitrich	The Deitrichs would like to build a new house because they feel their current 3 bedroom home is too small to accommodate Mr. and Mrs. Deitrich, their 3 children, and his Aunt Greta, who has recently moved in. They wish to fund the construction through a Section 502 loan.
9/23	Whitfield	The Whitfields wish to purchase a home from an Agency borrower who has an accelerated account.

Part II. Establishing Priorities

Selection Order	Applicant	Date of Application	Priority	Priority Status
N/A	Johnson	9/15	N/A	Although the Johnsons are not program-eligible, they may purchase the home under nonprogram terms. No additional funds are required because a nonprogram borrower can only assume the outstanding balance at new rates and terms. Processing need not be delayed until additional funds are available.
N/A	Smith	9/16	N/A	The Smiths receive funding immediately from the set-aside.
1	Brown	9/14	1	The Browns receive first-priority processing for new funds because they are requesting a subsequent loan to remove health and safety hazards. The Loan Originator should counsel the Browns to contact the Centralized Servicing Center (CSC) to resolve the delinquency. The Loan Originator may need to coordinate with CSC about whether a loan or protective advance is most appropriate.

Selection Order	Applicant	Date of Application	Priority	Priority Status
2	Olsen	9/9	2	Since the Olsens are purchasing an REO property, the Agency gives second-priority processing to their request.
3	Garcia	9/9	2	The Garcias receive second-priority processing because they are assuming a home from an Agency borrower. Although their application was received on the same day as the Olsens', the Olsens receive priority because Mr. Olsen qualifies for a veteran's preference.
4	Whitfield	9/23	2	The Whitfields receive second-priority processing because they are assuming a loan from an existing Agency borrower. Purchasing a home from a borrower who has an accelerated account does not give the Whitfields processing priority over the Garcias who also are assuming a loan from a current borrower. Within priority categories applications are selected by application date.
5	De Moura	9/5	3	Ms. De Moura receives third-priority processing because she is in danger of losing her home through foreclosure due to circumstances beyond her control.
6	Pawlikowski	9/21	3	Since the Pawlikowskis have been living in deficient housing for at least 6 months, they receive third-priority processing.
7	Yao	9/7	4	The Yaos receive fourth-priority processing because they are seeking a leveraged loan to fund the purchase of their home.
8	Sapienza	9/6	No Priority	The Sapienzas do not receive priority processing; they are requesting a subsequent loan to make needed repairs for a condition that, at this time, does not constitute a health and safety hazard. The Sapienzas application will be processed after all applicants with priorities have been processed.

Selection Order	Applicant	Date of Application	Priority	Priority Status
9	Jones	9/8	No Priority	The Joneses do not receive priority processing. Although they have been living in deficient housing for 4 months, they are currently 2 months short of receiving second-priority processing. If within 2 months funding is still not available, the Joneses would receive second-priority processing, and would be processed before the Olsens.
10	Deitrich	9/21	No Priority	The Deitrichs do not receive priority processing. The application will be processed after all applicants with priorities have been processed. Although the family believes the house is too small, it is not sufficiently overcrowded to be considered deficient.



UNITED STATES DEPARTMENT
OF AGRICULTURE

RURAL DEVELOPMENT

RURAL HOUSING SERVICE

“Applicant Information Sheet” - Single Family Housing

The Rural Housing Service (RHS) provides loans in rural areas to eligible low- and very low-income applicants. The loan may be to purchase existing housing, purchase and repair existing housing, purchase a building site and construct a dwelling, or purchase new housing. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 25,000 population.

The property must be in good repair or placed in good repair with loan funds and meet Agency thermal standards. Third-party inspections are required for insulation, electrical, heating, plumbing, water and wastewater disposal systems, if applicable, and termite inspections. These third-party inspections must be performed by a qualified inspector. The payments for costs associated with the inspections will be agreed upon between the buyer and the seller and should be discussed prior to signing a purchase agreement.

All who apply get equal consideration without regard to race, color, religion, sex, marital status, age, disability, or national origin.

The following documents are attached and may be completed and returned to your local Rural Development office located at the following address:

1. Form RD 410-4, “Uniform Residential Loan Application”
Please contact the above Rural Development office if you have questions or would like assistance in completing this form.
2. Form RD 3550-1, “Authorization to Release Information”
3. Qualifying income limits
4. Map of eligible rural areas

To determine if you qualify, review these frequently asked questions:

“DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?”

RHS will look at how much you currently owe to others. We'll want to know if paying back the proposed loan on top of your other payments will be difficult for you.

“WHAT IF I THINK MY INCOME IS TOO LOW?”

Having enough income to repay your loan is an important part of getting a loan; however, the RHS loan may be subsidized. A subsidized loan is based on the applicant repaying a percentage of their income toward the housing payment, taxes, and insurance. The percentage is generally 22, 24, or 26 percent of the applicant's household income.

“WHAT CAN I DO IF MY INCOME IS TOO LOW?”

The easiest thing you can do is consider a co-applicant to apply with you. RHS will then look at the combined credit histories and income. That can do a lot to improve your chances for approval. If you want a co-borrower, be sure to have the person complete the Co-Applicant section of the application form and sign his or her name next to yours.

“HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?”

The amount of your proposed monthly house payment, real estate taxes, insurance, and other credit debts cannot exceed 41 percent of your gross monthly income. If you have questions regarding how this determination is made, you may contact the local Rural Development Office shown on the front cover.

“CAN I GET A LOAN IF I'M UNEMPLOYED?”

A steady source of income is very important to getting a loan. An applicant must show sufficient resources to repay the housing loan. Not having a job may have an impact on the Agency's decision. Experience has shown that applicants with stable jobs are more likely to repay the loan.

“WILL YOU FIND OUT ABOUT OTHER CREDIT I'VE HAD?”

Yes. Your credit bureau report provides information on your payment history including any difficulty you have had repaying other loans or credit cards. That information will be used to see if you can easily repay the loan.

“HOW CAN I FIND OUT IF I’M ELIGIBLE FOR A LOAN?”

A Rural Development employee is available to discuss eligibility requirements with you on an individual basis by phone or in person during regular office hours. Any interested person may make written application at the local Rural Development office.

“WILL I KNOW RIGHT AWAY IF I QUALIFY FOR A LOAN?”

Rural Development staff can pre-qualify the applicant with unverified information provided by the applicant by phone or in person. However, a final eligibility determination will not be made until a written application is filed, household income is verified, and a mortgage credit report is obtained.

“HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?”

Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 90 days of filing of the written application. However, depending on the availability of Government funding, this time-frame may be extended. The applicant is periodically advised regarding the status of his or her application when there is lack of funding.

“HOW MUCH MONEY WILL I NEED FOR A DOWNPAYMENT?”

A downpayment is not required. Loans may be made for up to 100 percent of the market (appraised) value. Simply put, this means if the sales price of the property is equal to or less than the appraised value, no downpayment is needed.

“DOES THIS MEAN I WON’T NEED ANY CASH TO GET A LOAN?”

Generally, the applicant will need some cash available. There are costs associated with the credit report, appraisal report, escrow, and other related closing costs. The credit report fee is always paid by the applicant. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. You may also negotiate with the seller to contribute a percentage toward closing costs. Any agreement with the seller should be entered into prior to signing, and documented in, the purchase agreement or sales contract.

“DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?”

Yes. Rural Development staff are available to assist the applicant from the application to loan closing. The applicant is responsible for providing requested information timely. The information may be requested by Rural Development staff, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

“ARE THERE OTHER ELIGIBILITY REQUIREMENTS?”

Yes. The applicant must:

1. Be without decent, safe, and sanitary housing.
2. Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
3. Possess the legal capacity to incur the loan obligation.

“WHAT ARE THE TERMS OF THE LOAN?”

The maximum repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years.

“WHERE MAY HOUSES BE LOCATED?”

Houses must be located on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal. Streets must have an all-weather surface and be maintained by a public body.

“WHAT ABOUT THE SIZE AND DESIGN OF THE HOME?”

Cost and design vary in different areas of the country. Loans may not exceed HUD's Maximum Mortgage Limits for the area in which the applicant is requesting financing.

“WHERE MAY I APPLY?”

Applications are made at the local Rural Development office serving the area in which the house will be located. Anyone unable to locate Rural Development in the local telephone directory may write to Rural Development, U.S. Department of Agriculture, Washington, DC 20250.
